

# HOUSE BILL REPORT

## HB 1913

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**As Passed House:**  
February 22, 2024

**Title:** An act relating to expiring a tax preference.

**Brief Description:** Expiring the international services tax preference.

**Sponsors:** Representatives Cortes, Ryu, Reed, Reeves and Pollet.

**Brief History:**

**Committee Activity:**

Finance: 1/16/24, 1/18/24 [DP].

**Floor Activity:**

Passed House: 2/22/24, 57-36.

**Brief Summary of Bill**

- Expires the international services business and occupation tax credit at the end of tax year 2024.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Berg, Chair; Street, Vice Chair; Chopp, Ramel, Santos, Springer, Thai, Walen and Wylie.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Wilcox.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Barnard.

**Staff:** Kristina King (786-7190).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

## **Background:**

### Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

### Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include: tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

### International Services Business and Occupation Tax Credit.

The international services B&O tax credit was enacted in 1998 with no expiration date. Businesses providing professional international services located in a community empowerment zone (CEZ) or a city with a population of at least 80,000 having the same characteristics as a CEZ, are eligible for a B&O tax credit up to \$3,000 per year for each job created. Eligible international services include the following services: computer, legal, accounting and tax preparation, engineering, architectural, business consulting and management, public relations and advertising, surveying, geological consulting, real estate appraisal, and financial.

The credit includes a TPPS and requires a JLARC review. The stated intent of the credit is to attract and retain businesses, create jobs, and provide services to international customers. The JLARC completed a full review in 2023 and reports that the credit is claimed by less than three taxpayers with total beneficiary savings of \$80,000. The JLARC reports use is 99 percent less than originally expected and has not met the goal of attracting and retaining jobs. The JLARC recommends the Legislature terminate the preference.

## **Summary of Bill:**

The international services B&O tax credit is expired at the end of the 2024 tax year.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill terminates the international services B&O tax preference because it did not meet its goals of attracting and retaining businesses, creating jobs, or providing services to international customers. As the JLARC reported, the use of the preference is 99 percent lower than expected. Expiring this preference would save Washington money.

(Opposed) None.

**Persons Testifying:** Representative Julio Cortes, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.